



TaxNewsFlash

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IRS guidance: Low-income housing credit

The IRS today released the following guidance concerning the low-income housing credit under section 42.

- [Notice 2016-77](#) [PDF 150 KB]
- [Rev. Rul. 2016-29](#) [PDF 218 KB]

Notice 2016-77

The IRS notice reminds taxpayers that a low-income housing credit (LIHTC) project in a qualified census tract (QCT) will not qualify for a preference for a LIHTC allocation under a housing credit agency's qualified allocation plan, unless its development contributes to a "concerted community revitalization plan." Placing LIHTC projects in QCTs risks creating greater concentrations of poverty. Therefore, housing credit agencies may grant a preference to LIHTC projects located in QCTs only when there is an added benefit to the neighborhood.

While the term "concerted community revitalization plan" is not defined, a preference for projects located in a QCT will fail to apply unless a plan exists that contains more components than the LIHTC project itself.

Rev. Rul. 2016-29

Under the facts of the revenue ruling, the state housing agency's interpretation of section 42(m)(1)(A)(ii) requiring local approval to allocate housing credit dollar amounts created a pattern of LIHTC projects in predominantly lower-income or minority areas, with the result of perpetuating residential racial and economic segregation.

Rev. Rul. 2016-29 concludes that state housing credit agencies are not required or encouraged to reject all housing proposals that did not obtain the approval of the

locality where the project developer proposes to place the project. In other words, housing credit agencies are not required or encouraged to honor local vetoes.

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